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## WHY EVEN DO POLITICAL FINANCE WITH DELEUZE?

ECONOFICTION CAPITAL, DELEUZE, DERIVATIVES, FINANCE, MARXISM

Any heterodox project is compelled to begin by articulating a problem or set of problems it proposes to address (otherwise why heterodoxically begin at all?). When studying finance at our present moment, the particular problem to which we are alerted is a political economic problem whose particularity Deleuze as a heterodox *philosopher* alerts us, but which reading Deleuze as a heterodox *political economist* can help us to address –or at least offer us one way to redefine on new terms.

What is this problem? There is one principal problem, but it has two parts. The first part concerns a historical and ontological transformation in and of finance; the second part concerns a theoretical and methodological problem that results from the first. Reading Deleuze's *Difference & Repetition* as heterodox political economy allows us to address them both.

First part of the problem. New differentiations in finance

The first part of the problem begins with an ontological transformation of the financial asset. More specifically it concerns the progressive differentiation of two new classes of financial assets from out generic finance, but whose ontological composition is radically different from the kinds of assets which have historically populated financial markets: namely, there is the synthetic asset, which actualizes a wholly new class of financial exchange known as synthetic finance; and there is the securitized asset, which is a product of the process of securitization (also sometimes called structured finance), and involves the transmutation of an asset into a security.[1] These two new differentiated classes of assets are ostensible repetitions of preexisting generic financial assets, but their repetition produces a peculiar new kind of asset. Together they have fundamentally altered the basic relation of finance to capital, the relation of finance capital to the capitalism writ large, they have and are changing capitalism.

Let us briefly consider each in turn.

Synthetic finance is usually classed under the general rubric of 'derivatives'. This is partially accurate, but *only* partially accurate, and importantly so. While credit derivatives[2] are indeed a type of synthetic financial asset, any serious consideration of their ontology quickly reveals their radical difference from more traditional derivatives like options, futures, or forwards, the latter of which have existed for centuries (e.g. Aristotle wrote of Thales buying options contracts on olive oil presses, the Osaka shogunate organized the Dojima rice futures exchange, and so on), and whose ontological composition is qualitatively closer to generic

financial assets than to any synthetic financial asset. Only recently, beginning in the mid-1990s and on into the 21<sup>st</sup> century, did this hyperfungible and highly symmetric class of objects develop, proliferate, and convoke into actuality the new markets, indices, and institutions accompanying the class of financial exchange of synthetic finance –and at that, these new objects, e.g. credit derivatives and other kinds of synthetic financial assets, do include some of the economic properties common to generic financial assets, but also many other peculiar and novel economic properties utterly foreign to the latter, and which in a very real sense transcends the very concept of the ‘derivative’, as such.

Applying the traditional textbook definition of derivatives –i.e. a financial asset whose value is derived from some underlying (generic) financial asset– to synthetic financial assets is no longer accurate. We now see that the value of a synthetic asset will causally supervene on the value of the generic asset, or may even act as a quasi-referent for its so-called ‘underlier’. For example, in the recent financial crisis, the price behavior of credit default swaps (a synthetic asset) on mortgage backed securities caused swift and violent depreciations in the market valuations of such securities, resulting in higher interest rates on floating-rate mortgages, and subsequent widespread mortgage defaults: this caused the prices of mortgages (a generic financial asset) to rise, and the values of houses (a physical asset) to fall. When the market value of the physical referent is directly affected by the generic referent, but in turn the value of the generic referent is directly affected by the value of its synthetic ‘replica’, can we still apply the aforementioned textbook definition of a ‘derivative’ to this class of asset? Or to cite another example, anytime an asset-backed portfolio is synthetically-structured with credit-linked notes –i.e. wherein the assets are ‘built’ the replication technology of credit derivatives– it is the case that the values of those credit-linked notes (which are generic financial assets) are *derived* from the value of the synthetic portfolio.

In both of these examples –which are only two of many– far from it being that this asset is a ‘mere’ gambling instrument, ‘only’ an immoral image, or some simple copy of a model. Rather, the synthetic announces itself as a replica of a generic asset, though it is not of the same, for its economic properties (maturity, notional value, etc.) are often and almost always different from its so-called referent. The synthetic asset is thus a production of pure difference, but one which always announces itself in and as simulation; it is an image of an object that is without likeness, an immanent copy of a model which quickly overturns any grounds on which such a distinction would stand.

In fact, insofar as ownership-of, or exposure-to, the so-called generic referent is not a requirement for transacting a synthetic financial exchange –which means that neither the seller nor buyer of the synthetic asset need be the obliger, creditor, or otherwise related in any way to the preexisting generic financial exchange acting as its referent– most synthetic financial transactions are created *ex nihilo*. However, to the extent that the parties to the synthetic exchange *do* make a financial transaction, they *have* created a new asset, and this asset *does* have the very real material properties of risk and cash flow. In this respect, the act of synthetic exchange effectively creates –synthetically, yes, even virtually, yes, but no less in reality– a risk and cash flow which did not previously exist.

The synthetic asset, then, is capable of being created *ex nihilo* and *ad infinitum*. There is no transfer of private property, no concrete production by labor of any classical economic object, and whose intrinsic value is congealed therein, nor any new generic financial asset or reference obligation. And yet, through the process of synthetic exchange, because there occurs a new *ex nihilo* and potentially *ad infinitum* proliferation of the economic properties of risk and cash flow, we cannot meaningfully deny that a synthetic exchange is any less an exchange, or lacking in profound material consequences.

In fact, the peculiar materiality of the synthetic financial asset now raises the important question of whether it is either the case that we need to liberalize our prior understanding of materiality, or even that the actualization of synthetic finance already radicalizes the very concept of materialism itself?

There is also the matter of securitization. Securitization, sometimes also called structured finance, is the process of creating a security from a financial asset. There are two ways of creating securities: from preexisting generic financial assets, or anew by synthetic replication via credit derivatives. This produces two different types of securities: cash securities and synthetic securities.

Securitization, whether cash or synthetic, always involves pooling and tranching: there is the first step of pooling (i.e. dedifferentiating) the different risks and cash flows of the assets involved into one risk and one cash flow; and then there is the subsequent step of tranching (i.e. redifferentiation), which now redistributes the one risk and its cash flow into new classes of risks and cash flows in the form of the new securities that result. In this respect, a truly radical transformation supervenes on the materiality of the asset in the process of its securitization: a preexisting asset (e.g. a mortgage, a corporate bond, student debt, etc.) is divided, but in the process of its division it changes in kind. Moreover, when the debt notes (securities) whose notional values correspond to the notional values of the tranches that comprise the securitized portfolio are collectively held, i.e. owned incrementally and piecemeal, by the various note holders, who then really may be said to ‘own’ the house, the corporate bond, the student debt, or any other securitized private property? In short, *all* who hold the notes collectively own these things together.

However –as if this were not radical enough– *synthetically*-securitized products such as synthetic CDOs signal something even more radical still. Indeed, to observe that the result of pooling any number of generic assets into a single portfolio is to homogenize their risks and cash flows into an asset with a single risk and single cash flow; and that once we pool these preexisting risks and cash flows together we can then redifferentiate this new risk and its cash flow differently and flexibly as we so choose –this is intriguing enough in itself, given that, first, it conveys a hyperfungibility to the security that is lacking in the

generic financial asset, and secondly, as we alluded to above, this is already, technically speaking, a method for the abolition of private property. But when we now see these assets can be *synthetically created ex nihilo and ad infinitum*, things get both more peculiar *and* more compelling still.

For example, by pooling any number of credit derivatives into a single synthetic financial asset, and then ontologically redifferentiating that new (and now singular) asset through method of tranching, the synthetic exchange results in the organic creation of several new economic properties which are specific to a synthetic asset, and which were not originally 'in' or 'of' any generic financial assets acting as the referents for the synthetic portfolio. Anytime we use tranches to redifferentiate risk, there are 'levels of subordination' to the tranches, which give birth to a series of 'attachment points' and 'detachment points' that register and distribute respective losses and gains to the various tranches. This means that the structuring process itself produces several new economic properties –for example, the properties of 'credit enhancement' and 'leverage' (among several others): this is as unexpected as it is compelling, since once again we see that the synthetic asset begins by announcing itself as a mere replica of its generic referent, just as any synthetic exchange begins by appearing as an avatar of a generic financial exchange. But there is always *a new difference produced by its repetition*, for there are new and novel economic properties brought into being which are not of the generic asset, and not present in the generic financial exchange acting as the reference obligation for the synthetic exchange.

Second part of the problem. Absence of methodology

This merely scratches the surface of the peculiar materiality of these two new kinds of financial assets that did not exist for Smith, Marx, Schumpeter, Keynes, or Friedman. However, if we began by observing that the first part of our problem concerns an ontological transformation to the financial asset, in truth this only really matters because it has and still is effecting a wholesale transformation of the financial system and its broader relation to the economy. Synthetic financial assets –both single-named and multi-named credit derivatives, as well as their synthetically-securitized counterparts– progressively differentiate simultaneous with a series of recent radical transformations to the modus operandi of capital markets: from the ever-increasing usurpation of traditional intermediation by the shadow banking system (i.e. the death of the so-called 'Jimmy Stewart model of banking'[3]), to ongoing and new-fangled experiments with quantitative easing by the world's central banks; from the nascent and incessantly fragile but also seemingly-necessary intimate comingling of money markets and capital markets, to perpetual threats of sovereign debt crisis; from the ostensible breakdown of any meaningful distinction between liquidity risk and solvency risk, to the rise of all manner of market crises –and the fiscal and monetary hypervigilance they now require, and so on. The historical and ontological transformation in and of finance, of the financial asset, its method of composition, as well as the markets they populate, stand at the precipice of this wholesale qualitative alteration of finance's relation to capital and capital markets more generally, and now begs serious, sustained, historically-specific materialist analysis.

And so herein lies our problem. We have few if any available political economic tools equipped to aid our inaugural attempts to critically-analyze this profound material development. To what schools of thought or thinkers do we look –analytically, theoretically, methodologically– as we descend into and now try to cognitively map the peculiar ontological domain of synthetic finance? Who among our familiar economists, political economists, philosophers, or cultural theorists, can help us navigate through its dark pools, shadow sectors, and concrete virtuality? What methodological resources do we consult to help us grasp *what becomes of materialism* when the value of the object has not only become its price as an asset (as already occurs with the advent of generic finance) but when now the (synthetic) copy of the (referent) model upends the very ground on which any distinction between a derived versus underlying value is even comprehensible?

Indeed, if we are neither content to worship nor shake our fist at the sun, it does seem we're currently forced to select from two bad options. We can either choose to assume the proto-luddite position: namely, that the development of the synthetic finance signals a fundamental perversion from the organic logic of 'true' value, a kind of unreal or bad copy of model –at which point we're left to morally-assess, itemize, and then 'turn back the clock' of financialization to better segregate the good copies from the bad.[4] Or if not this position, we're then compelled to select –albeit by negation– the oddly *both overstated and* undertheorized proto-Marxist position that the advent of synthetic finance betrays that (a) capitalism is still, as always, trying to find new ways of countermanding the tendency of the falling rate of profit, or (b) it is yet another illustration of the tendency to over-accumulation endemic to the falling rate of profit.[5]

Both the proto-luddite and proto-Marxist positions, however, share in common the same political economic presumption that the progressive differentiation of synthetic finance is a kind of *fate accompli* of capital that is to be disdained, choked-out, or resisted, but not in any serious way encountered on its own material terms; to be peered-at, problematized, or historicized, but never probed in any technical or ontologically-rigorous manner. For the proto-luddite this is because synthetic finance represents a new kind of maledictory form of value; while for the proto-Marxist it's because synthetic finance is yet one more incarnation of the same old malediction of 'true' value, i.e. labor value, which is a constant or even *ahistorical* cause of the ever-spread between relative surplus value and absolute surplus value, but which at any rate is constantly causing the rate of profit to fall –until of course it doesn't fall, when 'something happens' to once more yet interrupt its tendency (whether war, expansion into emerging markets, or now financialization).

Surely, one wonders, is there not a more theoretically-acute, methodologically-robust, politically-salient analysis available to us

than this?

*Difference & Repetition*. A book of heterodox political economy

If this is the particular problem that reading *DR* as heterodox political economy can help us to address, how, specifically, can it help us to address it? While in truth there are many ways, we will briefly name three.

i. First, *DR* provides us with an instructive way of understanding the peculiar materiality of the financial asset today. Deleuze elaborates a creative but rigorous method by which to think the process, or becoming, of the financial asset –namely he endows us a flexible method and set of conceptual tools for thinking the financial asset as a multiplicity.



The concept of the multiplicity is central to the Deleuzian ontology, albeit one that can get quite technical (in *DR* Deleuze is constantly giving philosophical transformation to mathematical and scientific concepts, and no Deleuzian concept better illustrates the rigors involving this practice).[6] Deleuze credits Riemann with discovering the concept, which means it is ostensibly mathematical in origin.[7] However, when we apply its theoretics to finance, we are immediately thinking the asset as a dynamically-composed, formless mess of different economic properties (maturities, notional values, risks, cash flows, etc.), which can be plastically stripped and injected elsewhere, or exogenously created or destroyed *ex nihilo*, *ad infinitum*, and nonlinearly.

Therefore, if, following Marx's classic introduction to the commodity in Volume I of *Capital*, we understand 'exchange' as the simple repetition of the object for its image of value as money, then Deleuze is simply reminding us that new and different economic properties constantly 'swarm in the fracture' of this repetition: and if such properties are 'constantly emerging on its edges, ceaselessly coming and going, being composed in a thousand different manners'[8], then to speak of any given economic object as having an 'essence' is symptomatic of a bad ontology, a kind of 'asset-fetishism'. To avoid such reification, the first thing we must do is to cease believing the asset *must* have some kind of fixed, inherent, or internalized essence. The essence of any asset, as Deleuze puts it, 'is nothing but an empty generality', which means the asset is nothing apart from its many different economic properties, but which pledge no final allegiance to it.[9]

For this reason, *DR* instructs us that we are more justified to think the asset as a multiplicity. The concept of a multiplicity lends us a ready-made technical term to denote the constitutive processes of an economic object. Multiplicities are the n-dimensional site for the process of the assembly of the economic object, which is always in perpetual becoming. Multiplicity is the concept we can use to denote the reality of the asset; in truth, an abundance of reality that is not always or only *actual*, not always or only *virtual*, not always or only *potential*; but rather a confluence of all three (Deleuzian) registers of reality, and which is predicated on the rhythms, rates, amounts, and kinds of amounts of processes –whether intensive or extensive– that define the asset.

ii. However –and following Riemann– Deleuze also points out that there are not one but two kinds of multiplicities: there are 'numerical multiplicities', and there are 'qualitative multiplicities'. This brings us to Deleuze's second contribution.

If the synthetic asset appears different in kind from the generic assets it proposes to repeat –but whose materiality it ultimately transcends, or even remakes in the course of its repetition– this is because, for Deleuze, the generic asset and the synthetic asset are ontologically different in kind. Therefore, the second way that reading *DR* as heterodox political economy can help us to address our problem is to give us a technical but not overly-abstract manner of thinking and articulating the key ontological differences marking generic and synthetic finance. Insofar as there are two different types of multiplicities that actualize their respective assets, we can examine how these assets materially differ in kind.

Let us first consider a numerical multiplicity. Deleuze itemizes the distinguishing ontological trait of the numerical multiplicity as that which is thoroughly 'objective': in that it is fully actualized, it has little or no virtuality, and Deleuze says we know this because it is capable of being divided, but in the process of its division it does not change in kind:

'In short, 'object' and 'objective' denote not only what is divided, but what, in dividing, does not change in kind. It is thus what divides by differences in degrees. The object is characterized by a perfect equivalence of the divided and divisions, of number and unit. In this sense, the object will be called a "numerical multiplicity." For number, and primarily the arithmetical unit itself, is the model of that which divides without changing in kind.[10]

If classical economic objects (e.g. coffee, cars, corn, and clothe) and generic financial assets (e.g. traditional debt and equity objects) immediately appear to us as 'more objective' than synthetic assets, this distinction made by Deleuze helps to explain why.

Such 'flat objects' realized by numerical multiplicities are chocked-full, phenomenally, with extensive economic properties – properties that divide, and in the course of their division, simply divide without changing in kind. Its properties are points on a line, and these points and lines are uniform, which means their division produces only changes by degrees, but never a change in kind. They are, in other words, Euclidean.

Consider a generic financial asset –for example stock shares. If tomorrow I receive a letter informing me that my 1 round lot of Walt Disney Co. (DIS) stock has been divided, or 'split' as a 2-for-1, I will now own 200 shares at \$25.00 per share, rather than 100 shares at \$50.00 per share. Here there will have been the division of a generic financial asset, of 1 share of stock now into 2; and yet there will have been no change in kind; the share of stock has simply been numerically-divided 'in half', or 'split' into two.

The same can be said of money. As a numerical multiplicity, money is the quintessential financial asset that divides without changing in kind. This is why Deleuze observes that 'number has only differences in degree, or that its differences, whether realized or not, are always actual in it.'<sup>[11]</sup> In this respect, we can draw on any number of examples of the division of a generic financial asset, and see that they are all numerical multiplicities. Whether a debt-note, a loan, a bond, or money itself: we divide, and in the process of dividing there is no change in kind. Is a debt-note available in an increment of hundred dollars or fifty? Does it matter? No –its yield will be the same. Is a loan syndicated? The answer to this question is a mere arithmetical formality. Do I 'break' a hundred dollar bill in order to get back 5 \$20s, 10 \$10s, or 100 \$1s? Does it matter? No –the amount is unchanged by its denomination.

However, by contrast, when a qualitative multiplicity is divided it changes in kind:

'[A qualitative multiplicity] does not divide up without changing in kind, it changes in kind in the process of dividing up: This is why it is a nonnumerical multiplicity, where we can speak of "indivisibles" at each stage of the division.'<sup>[12]</sup>

If synthetic assets appear less 'objective' to us, once more this distinction made by Deleuze helps to explain why, but now also provides us some additional illumination. In the process of pooling and tranching a synthetically-replicated portfolio of generic assets, synthetic securitization *divides* a risk and cash flow –but in the process of its division, there is a change to the risk and cash flow in kind. Or to cite another example, we can now also see that already in a single-name CDS, we were observing a process that strips, i.e. 'divides', the credit event (e.g. default) risk and associated cash flow from the generic referent –but in the process of its division, the synthetic asset is more than a simple replicated copy of its model, for it truly does bring about a new change in kind. Moreover, *any* credit derivative involves the process of 'splitting-off' or 'dividing' from its referent its risk and cash flow –but again, in this process there is always produced a change in kind.

iii. This brings us to *DR*'s third contribution. In the course of his exposition of the multiplicity, Deleuze has alerted his reader to the importance of understanding that a crucial ontological difference adheres between its two different types –numerical multiplicities and qualitative multiplicities– as we discussed above. The dispositive ontological property rendering these two multiplicities different in kind *turns on the different functional relation each multiplicity maintains between their specific material properties and the register of reality of their definition*.

Of the three Deleuzian registers of reality –the actual, the potential, and the virtual– numerical multiplicities are chocked-full with extensive properties, and therefore principally inhabit the first two registers of the actual and the potential; while qualitative multiplicities are chocked-full with intensive properties, and thus principally, though not exclusively, inhabit the virtual. This is crucial for Deleuze, insofar as he defines 'the actual' as simply *that which 'is'* (what we often mistakenly label 'reality'); and 'the potential' also *is that which 'is', albeit it only 'is' as a possibility* (Deleuze identifies the potential as that which is subject to a probability distribution, but whose possible outcomes are therefore predetermined by the actual); but 'the virtual' is neither actual nor potential, and yet it exists 'in reality' nonetheless. In fact, in *DR* Deleuze makes technical recourse to mathematics and the sciences of morphogenesis to illustrate that while neither actual nor potential, the virtual comprises another register of reality altogether. *In short, the virtual is that register which structures the space of what is possible to become actual*.

For this reason, the third way *DR* helps us to address our problem is that by invoking and developing the register of the virtual, it provides us with a technically-sound but not overly-theoretical method for thinking about how we, as operators, can trace the logic of the actual back to where it sets up camp, i.e. up through the extensive, from there through the intensive, and back into the virtual, wherein we can begin to tinker with that which structures the space of the possible of our economic institutions themselves. And importantly, this activity is increasingly available to us only with the recent and now progressive population of financial markets with qualitative multiplicities. And why?

Deleuze says that on the one hand:

'Everything is actual in a numerical multiplicity; everything is not "realized", but everything there is actual. There are no relationships other than those between actuals, and no differences other than those in degrees.'<sup>[13]</sup>

But on the other hand:

'[The properties by which] a nonnumerical multiplicity...is defined, plunges into another dimension...It moves from the virtual to its actualization, it actualizes itself by creating lines of differences that correspond to its differences in kind.'<sup>[14]</sup>

What are these 'lines of difference' that the qualitative multiplicity 'actualizes' by virtue of partially 'plunging' its object into another dimension? What does this 'plunging' mean for the definition of the material properties of the synthetic asset to which the qualitative multiplicity corresponds?

Today, we commonly hear the synthetic asset disparaged on behalf of its alleged 'virtuality'. However, *DR avant la lettre* takes this accusation seriously, and proceeds to illustrate that the radical potential of the synthetic asset resides in its still partial virtuality, i.e. that its true historical-materialist radicality lies in the paradoxical, hybridized-dimensionality of its reality: it simultaneously inhabits two dimensions of reality, it has both one foot in the virtual, and one foot in the actual; it comprises a reality that paradoxically houses an object that is a mere shred of an actual generic referent, while yet also still possessing some of the non-substantive structure of the virtual.

The answer to these questions, then –of what are these 'lines of difference that correspond to its difference in kind?', and 'how does such hybridized reality affect the order of the asset's properties?'– according to Deleuze, is precisely what marks the peculiar but radical ontology of the qualitative multiplicity, and therefore the peculiar but radical materiality of synthetic finance, as such.

The radical materiality of the synthetic is best articulated by Deleuze, when in *DR* he outlines the three principal ontological features of qualitative multiplicities. They are as follows:

First, 'the elements [viz. economic properties] of the multiplicity have neither sensible form nor conceptual signification...they imply no prior identity, no positing of something that could be called one or the same. On the contrary, their indetermination renders possible the manifestation of difference freed from all subordination.'[15]

This already begins to explain what we find so puzzling about credit derivatives –namely, that the economic properties both actualized by the synthetic exchange and actualizing the synthetic asset imply no prior identity, but are free from the material requirements placed on the actualized 'whole objects' of classical exchange and generic finance. Such 'indetermination' to its objectivity means that the synthetic asset is lacking any predetermined economic 'form', its potentiality is in a very real sense free from any predefinition in the actual. It is pure difference in itself.

Secondly, then, the various properties and differential relations between the properties of the multiplicity are determined, reciprocally determined –as they are in all multiplicities, both numerical and qualitative. But now their determination occurs 'without external reference or recourse to a uniform space in which it would be submerged.'[16] The qualitative multiplicity is, as Deleuze puts it, 'intrinsically-defined'.[17]

If the material requirements that predefine the conditions of possibility for the behavior of 'whole' economic objects are not present in a synthetic exchange, this is because the structure to the space of the qualitative multiplicity is not fixed, flat, uniform or homogeneous, i.e. it is not Euclidean. Rather, it is topological, which means that its surface is a space unto itself, and that space is not restricted by all of the demands placed on objects in actuality. Such an economic object is an intrinsically-defined and fungible space, capable of warping, bending, twisting, folding-over into or out of itself, or vanishing and suddenly reappearing.

What, then, is the difference between the structures to the space of the markets populated by numerical and qualitative multiplicities, respectively? We said that the structure to the space populated by numerical multiplicities is Euclidean. This means that it is like a corrugated plane of sheet-metal, lain flat upon a zero-curvated floor: its rigid objects move to and fro on its surface, symmetrically translating back and forth along its parallel ridges. And yet, really, what more can the non-fungible objects populating this homogeneous flat space do than ex-change their position, or orientation, on this flat sheet now for an image of this or that position a little bit further ahead along the ridge? The exchange of such objects *is* change indeed, and technically-speaking. But it is an empty change, an invariable form of variation, a transformation that involves no real change at all.

Contrarily, the structure to the space populated by qualitative multiplicities is topological. This means that it is like an unbounded, elastic, soft cotton bed-sheet flipped up into the air, falling slowly through the air, and now down, down, down, towards an indefinite ground of indeterminate shape below. The surface of the bed-sheet and the ground below have yet to de-differentiate themselves, or become one, which they will and do at the moment when the bed-sheet touches ground. For now, though, the surface of the bed-sheet floats, suspended above the ground; it is a moving horizon populated by fungible objects, and subject to an invisible force. Indistinct yet very real streams of air-flows move beneath and above and beside and between the ever-changing curvated surface of the sheet, with its thousand plateaus of n-dimensional folds and subfolds. It yet remains an uneven surface. Its fungible objects move to and fro on its surface, but it is highly improbable such objects rigidly translate back and forth, as if running along parallel lines. Rather, they are more likely to warp and bend the space around them as they move along the open terrain, or perhaps they will warp and bend themselves; perhaps their hard motion will be impeded, or redirected by another object on top of the surface, or now even an object beneath the sheet itself; perhaps their motion is soft. Perhaps the object is acutely sharp, or has a sharp edge that will insert a 'cut' in the folds of sheet as it rolls along its surface. Does this object now fall through the sheet? Does this hole now act as a new basin of attraction for the other objects circulating around on the sheet? Will the sheet further tear, with its basin of attraction evolving in mid-flight? Given that the sheet is unbounded, how can we know?

We see that to ask the question about the objects populating this kind of surface 'what more can they do than this?' is perhaps even now premature –for do we even yet know 'anything' they can do, to which there is yet 'more'? Can we say we know everything they can do when we really don't know anything about the objects populating this domain of action?

We do know, at least –and only by reading *DR* as heterodox political economy– that the structure to this space is plastic and ambiguously pliable, which now avails both its fungible objects and their space, whose flexible structure is capable of being remade by the motions of such objects, with any final, flat, or uniform structure. *We at least know that this space and the objects populating it are ontologically-marked by a profoundly-augmented capacity for change.*

Thirdly, then, Deleuze observes that these two aforementioned features mark the ontology of the qualitative multiplicity simply because the qualitative multiplicity 'is a structure', albeit a highly fungible, profoundly indeterminate, truly paradoxical kind of structure. It is, in Deleuze's words, 'a system of multiple, non-localizable connections between differential elements which is incarnated in real relations and actual terms.'<sup>[18]</sup>

To think the asset as a multiplicity is to posit that that the genesis of any economic object occurs 'between the virtual and its actualization' –or as Deleuze puts it, it goes from the structure of the virtual to its incarnation in the actual, 'from the conditions of a problem to the cases of a solution.'<sup>[19]</sup> However, *DR* also allows us to observe that the synthetic asset is singularly unique from the other two classes of economic objects, in that it still has one foot fully-plunged into the virtual. Indeed, this is why Deleuze argues that synthetic objects are the objects ontologically closest to the virtual –they are that which, as he says, 'enjoys the double property of transcendence and immanence in relation to [the actual]'.<sup>[20]</sup>

If synthetic assets are indeed qualitative multiplicities, let us follow the logic to its result: that the historico-ontological progressive differentiation of synthetic finance signals the coming-into-being of a series of qualitative multiplicities, such as credit derivatives and other synthetically-structured assets, which now enjoy 'this double property' of both transcendence and immanence in relation to the preexisting, actualized set of numerical multiplicities, which in turn increasingly populate the markets comprising the system of exchange we call finance capitalism, what does this mean? It can only mean that now, namely, the determinative or defining structure to the genesis of economic form is more open and available to us as operators, and increasingly so, than ever before.

How so? If the virtual is indeed, as Deleuze says, pure structure without content, both the condition for and conditioning of a problem whose solution is always found in the actual; and if synthetic financial assets and synthetically-securitized assets have now differentiated to the peculiar hybridized status we outlined above, we must understand synthetic finance as the still partially-virtual domain –or at least the domain closest, ontologically, to the virtual – *where actual economic solutions acquire the conditional structure to their problems.*

For this and other reasons, reading *DR* as political economy is a radical wager indeed. Deleuze urges us to consider that perhaps we were always proceeding ontologically-backwards by looking for good solutions to badly-posed questions. The correct course of proceeding, rather, was to pose the virtual questions whose actual solution will always be pre-determinatively commensurate with the quality of its problem. We don't need new solutions to pre-existing problems. We need to formulate new problems to pre-existing solutions –for *DR* allows us to see that the solutions have already repeated themselves, and have now produced a new difference in kind.

[1] By *generic finance* we mean traditional debt (bonds, loans, mortgages, etc.), equity (real estate, stocks, etc.), and vanilla derivatives (options, futures, forwards). By *synthetic finance* we mean credit derivatives (credit default swaps, etc.) and varieties of synthetically-structured products (synthetic CDOs, etc.)

[2] Since credit derivatives are the most noteworthy kind of synthetic financial assets, and the most (in)famous among these (especially after the 2008 financial crisis) is the credit default swap (CDS), a brief exposition is warranted herein: A CDS is a bilateral exchange between two parties, one of whom is called the protection buyer, the other is called the protection seller. The terms of exchange of the CDS make reference to a certain notional value, which is the payment obligation of a reference entity. The protection buyer agrees to pay the protection seller a cash premium on a quarterly, annual, daily, or any other agreed-to periodic basis. And in return the seller agrees to make a protection payment to the buyer upon occurrence of a credit event in the reference entity [fig.2.1]<sup>[2]</sup>. The object of this exchange is therefore called a credit default swap because the parties to the exchange are *swapping* the risk of a *default* or some like credit event on a *credit/debt* obligation.

Someone or something somewhere owes someone or something else money. This debt obligation comprises the reference obligation of the reference entity: there has been a preceding generic financial exchange of some generic financial asset (i.e. a mortgage, a bond, or some other debt or equity object), whose event risk and cash flow the CDS replicates. However, while the CDS makes reference to this generic financial asset, its value, and the single name of the obliger in the generic financial exchange, the parties to the CDS may be, and now increasingly usually are, otherwise independent of and unrelated to the generic financial exchange. For this reason the exchange is 'synthetic'. We call the exchange of credit derivatives –in this case the exchange of a CDS– a 'synthetic financial exchange' because the exchange involves a synthetic swapping of the risk and cash flow of a reference entity, derived from a generic financial exchange, but to which neither party to the synthetic exchange need



be party to begin with.

[3] Perry Mehrling, *The New Lombard St: How the Fed Became Dealer of Last Resort*, Princeton Univ. Press, 2010

[4] This position is perfectly illustrated by proponents of Dodd-Frank: by attempting to re-segregate investment banking and commercial banking (though the legislative repeal of Glass-Steagall only formally conceded what had already institutionally transpired), by forcing OTC derivatives onto swaps exchanges (when such prior attempts at regulation gave birth to credit derivatives themselves), among other misguided attempts at federal regulation, Dodd-Frank performs the proto-luddite intention to turn back the clock on the progressive differentiation of finance.

[5] For example, see Alan Freeman, "The Profit Rate in the Presence of Financial Markets: A Necessary Correction, *Journal of Australian Political Economy*, no. 70.

[6] In this author's opinion *Difference and Repetition* is the greatest of all books of philosophy. However, it is also probably the least read of Deleuze's books, in large part because it is quite difficult to fully grasp without a working understanding of many mathematical and several scientific fields of study (e.g. group theory, non-Euclidean geometry, calculus, topology, a little biology and physics, and dynamical systems theory). It is also quite dense, because Deleuze 'zips-up' these various discourses into a compressed, cohesive whole. But it is ultimately very rich because it draws out the deep ontological significance –as only a great book of philosophy can– of their combined mathematical and scientific insights, i.e. of Galois, Riemann, Leibniz, Curie, Einstein, and so on: as if they were able to sit in a room, discussing a pure ontology amongst themselves, but now equipped with a (Deleuzian) language to streamline their collective discourse.

[7] Riemann, our reader may or may not know, was the mathematician Einstein was reading during his *annus mirabilis* –when, closing-up the patent office for the night, he walked home to smoke his cheap tobacco and re-envision the structure of the universe. Riemann, as a non-Euclidean geometer, immediately applied its concept to study geometric spaces, or more broadly mathematical spaces. Physicists apply its concept to study physical spaces. Dynamical systems theorists apply it to study dynamical systems, or objects as systems. Because markets are dynamical systems, and assets are dynamical objects, we can apply the concept to study assets and the markets they populate.

[8] *DR*. pg. 169

[9] *DR* pg. 182

[10] Gilles Deleuze, *Bergsonism*, Zone Books (1988) pg. 41

[11] *Ibid* pg. 41

[12] *Ibid* pg. 42

[13] *Ibid* pg. 43

[14] *Ibid* pg. 43

[15] *DR* pg. 183

[16] *Ibid* pg. 183

[17] *Ibid* pg. 183

[18] *Ibid* pg. 183

[19] *Ibid* pg. 183

[20] *Ibid* pg. 18

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